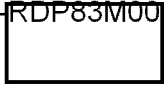


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TALKING POINTS FOR THE DCI

NSC MEETING, 21 July 1982, ON THE US POLICY OF DIFFERENTIATION
TOWARD EASTERN EUROPE

The situation of the martial law regime in Poland speaks, in addition, to a larger truth: the states of Eastern Europe have developed since the death of Stalin (1953) in such divergent directions that it is very difficult to generalize about them.

- Financially, they range from bankrupt Poland to sound Bulgaria.
- Economically, they range from industrially developed East Germany to Czechoslovakia with its antiquated industrial plant.
- Politically, they range from Stalinist Czechoslovakia to permissive Hungary.
- And militarily they range from loyal Warsaw Pact member East Germany to independent-minded Romania.

That said, most of the states of the area find themselves in conditions of economic distress for a variety of internal and external reasons: Poor economic management, imprudent borrowing,

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decreased Soviet energy supplies, and a Western market shrunk by recession.

Lacking alternatives, the East Europeans' strategy for coping with this economic distress has been to cut back on imports and investment, which means they are paying a price in terms of economic growth and standards of living. In turn, this means that we can expect a period of increased political instability in Eastern Europe within the regime leaderships and between the regimes and their peoples until economic conditions ease. Political conditions in the area will be further unsettled by the Brezhnev succession process in the Soviet Union, during which the East Europeans will be less certain what Moscow expects of them.

We cannot predict precisely how each state will react to these changing circumstances, but we can foresee that no two states will act exactly alike. Different histories, leadership constellations, and national socio-political factors will see to that:

- Thus in East Germany the regime seems to be looking for greater financial succor in the West, but without changing any of its repressive, pro-Soviet policies.

- In Czechoslovakia, there are signs of a serious leadership debate over political-economic issues.

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-- In Bulgaria, there is information suggesting that President Zhivkov feels that the centrally controlled economic system must be modified.

-- In Hungary, we have [REDACTED] information which suggests that the Hungarians are challenging the USSR on Warsaw Pact military matters.

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All in all, while the proximity of Soviet military power will make it impossible for the West to dictate events, the increasingly evident bankruptcy of the Soviet-type systems will precipitate changes. The changes could:

- increase the US ability to influence developments, especially in encouraging regimes which choose to move in directions we prefer;
- or, conversely, produce policies we find distasteful enough to retaliate against.

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CONTINGENCY DCI TALKING POINTS ON TECHNOLOGY TRANSFER

NSC Meeting, 21 July 1982

We believe it is extremely doubtful that Bulgaria, Czechoslovakia, East Germany, Hungary, and Poland can prevent the sharing of militarily useful products and production and process technology with the Soviet Union.

Our information over the past two years reveals that the USSR has made increased use of its East European surrogates in its worldwide program to acquire Western technology.

The Soviet intelligence services and their East European surrogate services play a major role in this worldwide program through a broad range of clandestine, illegal trade, technical, and overt collection operations.

We believe these Soviet and East European operations are responsible for acquiring the overwhelming majority of the militarily significant Western equipment and technology that finds its way into the Soviet Union.

Soviet requirements for the acquisition of Western technology are closely coordinated among the East European intelligence services in several ways:

- Through a priority list of general requirements supporting economic development in the member states of the Council for Mutual Economic Assistance (CEMA). This CEMA list guides the general Bloc efforts to acquire Western technology through illegal and/or clandestine means.
- Through direct Soviet tasking of an East European service which are levied by the KGB and the GRU in support of Soviet military and/or economic priorities.

The Soviets value highly the collection activities of their East European satellites, and often will offer them preferential treatment, in the form of increased military and/or economic assistance, in return for their acquisitions of US and other Western equipment and technology.

The principal East European countries tasked by the Soviets for acquisition of Western equipment and technology are Bulgaria, Czechoslovakia, East Germany, Hungary, and Poland.

- In 1980 the Bulgarians reorganized and upgraded their foreign intelligence science and technology (S&T) component, responding to Soviet high level requests that the chief target of the Bulgarian service be S&T collection. The Bulgarians have diverted US computer software and electronics to the USSR.

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- Czechoslovakia has provided the Soviets with legally acquired Digital Equipment Corporation (DEC) minicomputer technology which was used by the Soviets in its successful effort to copy DEC minicomputers.
- A former East German intelligence officer revealed the priority collection requirement of his service was Western military-industrial, manufacturing-related technology. Most of the microelectronic, computer, nuclear, and chemical equipment and technology purchased or acquired by the East German intelligence service went to the Soviets.
- Hungary and Poland are the leading East European procurers of diverted technology--they both are known to use legitimate trade organs as a means of providing clandestine access to Western technology.
 - Around 1980 the Soviets assigned Hungary a larger role in purchasing or acquiring COCOM-controlled technology and equipment for the USSR because of Hungary's close relations with Western countries. Hungary has purchased a relatively large amount of controlled microelectronic equipment for the USSR and has facilitated Soviet access to advanced US computer technology.
 - Poland's intelligence service has been tasked by the KGB to procure Western production know-how in the fields of microelectronics and computers, aircraft mainframes and engines, avionics, and other military-related technology. The Soviets have been impressed with the success of Polish efforts to acquire Western technology and have agreed to subsidize them by direct contribution to the Polish budget. Poland reportedly spent \$20 million during 1979 for the illegal acquisition of Western technology.

Our reporting indicates that the Romanian and Yugoslavian intelligence services generally are not responsive to Soviet tasking to acquire Western technology for the USSR.

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